

# LOS ANGELES COUNTY

## Governor's FY 2011-12 Proposed Budget

### Executive Summary of County Impact

*Half of All the Governor's Proposed Solutions to Eliminate the Deficit  
Fall Directly on the Back of County Government*

#### Overview

Today, Governor Brown released his FY 2011-12 Proposed Budget, which projects a deficit of \$8.2 billion in the current year and \$17.2 billion in FY 2011-12 for a total deficit of \$25.4 billion through June 30, 2012. The key elements of the Governor's Proposed Budget to address the 18-month budget deficit include:

PROPOSED BUDGET SOLUTIONS	
Permanent Expenditure Reductions	\$ 12.5 billion
Tax Revenue Extensions	\$ 12.0 billion
Other Solutions	\$ 1.9 billion
<b>Total Budget Solutions</b>	<b>\$ 26.4* billion</b>

*\*Solutions include a \$1.0 billion State Budget reserve.*

While the Governor's Budget attempts to achieve a balanced approach between expenditure reductions and the extension of the existing tax increases, the budget proposal relies most heavily on solutions that impact County operations and the residents we serve. **Of the \$25.4 billion in statewide program solutions, an estimated 46.0 percent is directly attributed to proposals that affect counties, including: \$5.8 billion in overall reductions to Health and Human Services programs and \$5.9 billion from the Realignment Proposal, which would shift State responsibilities to counties for various public safety, mental health and child welfare services programs.**

**Major Funding Reductions:** The Governor's Budget contains \$12.5 billion in funding reductions which would affect various County programs including:

#### Public Social Services:

- \$ 1.5 billion reduction to the CalWORKs Program which includes: establishing a 48-month time limit (\$698.1 million), a 13.0 percent grant reduction (\$405.0 million), and maintaining the FY 2010-11 Single Allocation reduction (\$376.9 million). **The Department of Public Social Services (DPSS) estimates that this proposal could result in a County loss of approximately \$450.0 million and loss of benefits to approximately 37,000 families within the County.**

#### Medi-Cal:

- \$ 1.7 billion reduction to the Medi-Cal Program which includes: a 10.0 percent reduction in provider payments (\$709.4 million), requiring Medi-Cal beneficiaries to pay a share of costs for services (\$557.1 million), establishing annual dollar caps on services (\$217.4 million), and eliminating Adult Day Health Care (\$193.2 million). **The Department of Health Services estimates that the reduction in provider payments could result in a loss of \$10.0 million and the beneficiary share of cost could result in a loss of \$10.0 million for a total County loss of \$20.0 million.**

Mental Health:

- \$ 861.2 million one-time reduction in Mental Health Services Act (Proposition 63) funds to backfill the State General Fund responsibility for the Early Periodic Screening, Diagnosis, and Treatment, Mental Health Managed Care and AB 3632 Programs. **The Governor's Budget does not contain sufficient information to determine County impact at this time.**

Child Welfare Services:

- \$ 19.0 million reduction from eliminating Transitional Housing Program-Plus for 18 and 19 year olds. **The Department of Children and Family Services indicates that this proposal would result in an estimated County loss of \$564,000, and 21 beds.**

Proposition 10 and Child Care:

- \$ 1.0 billion one-time reduction in the use of California Children and Families Program (Proposition 10) to fund Medi-Cal services for children through age five, subject to voter approval. **This proposal does not have a direct impact on County operations; however, it would affect County residents, if enacted.**
- \$716.0 million reduction in child care and development services which includes elimination of services for 11 and 12 year old children, and various eligibility changes. **This proposal does not have a direct impact on County operations; however, it would affect County residents, if enacted.**

**Realignment Proposal:** The Governor's Budget calls for a Realignment Proposal that would shift responsibility for many programs from the State to counties. According to the Administration, the shift would allow "governments at all levels to focus on becoming more efficient and effective."

Phase One of the Realignment Proposal would take effect in FY 2011-12 and it would shift \$5.9 billion in program responsibilities from the State to counties. **The shift will be funded for 5 years, with the proposed extension of the 1.0 percent sales tax increase (\$4.5 billion) and 0.5 percent Vehicle License Fee increase (\$1.4 billion), if approved by California voters in the proposed June 2011 Special Election.** After the five-year extension, the State would resume responsibility for providing counties with funding in an amount equal to what these two revenue sources would generate. The Realignment Proposal affects various County programs including:

Child Welfare:

- \$1.605 billion from transfer of Child Welfare Services and Foster Care program responsibilities from the State to counties. **Currently, the County's estimated annual State share for these programs is approximately \$557.0 million.**

Public Safety:

- \$1.802 billion from the transfer of Lower-level Offenders and Parole Violators from the State to counties. **Approximately 37,000 offenders without any current or prior serious, violent, or sex convictions will become the responsibility of counties. It is estimated that approximately 13,550 convicted felons would serve their sentences in Los Angeles County jails. Based on 25.0 percent of the statewide caseload, the County would assume an estimated \$450.5 million in additional program responsibilities.**

- \$ 741.1 million from the transfer of Adult Parole supervision responsibilities from the State to county probation departments. **According to the Probation Department, the County would assume responsibility for 30,000 or more violent and serious state parolees, including sexual predators at high risk of recidivism. Based on 25.0 percent of the statewide caseload, the County would assume an estimated \$185.3 million in additional program responsibilities.**
- \$ 257.6 million from the realignment of the remaining State Juvenile Justice programs to county probation departments. **The Probation Department indicates that it does not currently have the appropriate facilities or infrastructure to house these youth. Based on 25.0 percent of the statewide caseload, the County would assume an estimated \$64.1 million in additional program responsibilities.**
- \$ 530.0 million from the transfer of court security funding to county sheriffs. **The Governor's Budget does not contain sufficient information to determine County impact at this time. Based on 25.0 percent of the statewide caseload, the County would assume an estimated \$132.5 million in additional program responsibilities.**
- \$ 506.4 million from the transfer of Vehicle License Fee funded programs from the State to counties. The programs would include: Citizens Option for Public Safety (\$107.1 million); Juvenile Justice Crime Prevention Act (\$107.1 million); Juvenile Probation (\$181.3 million); Booking Fees (\$35.0 million); and Small/Rural Sheriff's programs (\$18.5 million). **If the proposed June 2011 Ballot Initiative, to extend the existing tax increases, is not approved by the voters, the Probation Department indicates that it would result in the closing of up to 12 juvenile probation camps and the elimination or reduction of several juvenile community-based prevention, supervision and treatment programs. Based on 25.0 percent of the statewide caseload, the County would assume an estimated \$126.6 million in additional program responsibilities.**
- \$ 250.0 million from the transfer of responsibilities for fire protection and medical emergency response services in wildland areas to local governments. **The Governor's Budget does not contain sufficient information to determine County impact at this time.**

Public Health:

- \$ 184.0 million from the transfer of funding and responsibilities of the California Department of Alcohol and Drug Programs from the State to counties. The shift would transfer the responsibility for administering prevention, treatment and recovery services for alcohol and drug abuse. **Based on 25.0 percent of the statewide caseload, the County would assume an estimated \$46.0 million in additional program responsibilities.**

Social Services:

- \$ 55.0 million from the transfer of all the Adult Protective Services Program responsibilities from the State to counties. **Currently, the County's allocation is \$14.3 million, which helps serve approximately 30,000 seniors and dependent adults.**

Mental Health Services:

The Governor's Realignment Proposal also includes a one-time shift of \$861.2 million in Mental Health Services Act (Proposition 63) monies to fund the State's responsibility to provide funding for

the Early Periodic Screening, Diagnosis, and Treatment, Mental Health Managed Care and AB 3632 Programs. While prior attempts to change Proposition 63 required voter approval, according to the Administration, this proposal may be approved by a two-thirds vote of the Legislature.

When fully implemented in FY 2014-15, the Realignment Proposal is expected to restructure an estimated \$10.0 billion in a wide range of programs and services from the State to counties.

**June 2011 Ballot Initiative - Tax Extension:** The Governor's Budget relies on revenue solutions of \$3.2 billion in the current year and \$8.8 billion in FY 2011-12. This includes approximately \$11.2 billion in revenue through a five-year extension of the tax rates described below, subject to voter approval in Special Election to be held in June 2011. **However, it is unclear whether or not the Governor will be able to muster the necessary votes in the State Legislature to meet the two-third requirement to include this initiative in the June 2011 Ballot.**

- \$ 4.5 billion starting in FY 2011-12 by extending the 6.0 percent State Sales User Tax rate with 1.0 percent directed to local governments to fund the Realignment Proposal;
- \$ 1.4 billion starting in FY 2011-12 by extending the 1.15 percent Vehicle License Fee with 0.5 percent directed to local governments for public safety programs;
- \$ 1.2 billion in FY 2010-11 and \$2.1 billion in FY 2011-12 by maintaining the 0.25 percent surcharge on the Personal Income Tax rate; and
- \$ 725.0 million in FY 2010-11 and \$1.2 billion in FY 2011-12 by maintaining the current dependent tax exemption credit.
- The CEO estimates that it would cost the County at least \$12.0 million to conduct the proposed Special Election.

**Transportation Funding:** The Governor's Budget proposes trailer bill legislation to re-enact the 2010 fuel tax swap with a two-thirds vote in response to the passage of Proposition 26. **Enactment of the Governor's proposal would protect the estimated \$60.0 million annual allocation to the Department of Public Works** for maintenance and operation of unincorporated streets and roads if the same level of funding is provided to counties and cities as would be received under the new excise tax or Proposition 42.

**Redevelopment:** The Governor's Budget proposes a new approach to fund economic development activities at the local level and phases out the current funding mechanism for redevelopment agencies (RDAs). According to the Governor, this proposal will return billions in property tax revenues to schools, cities, and counties. These funds will help sustain core functions including law enforcement, fire protection, and education. Below is a summary of the proposal:

- Constitution be amended to provide for 55.0 percent voter approval for limited tax increases and bonding against local revenues for development projects such as are currently done by RDAs.
- After FY 2011-12, the money available after payment of RDA debt would be distributed to schools, counties, cities, and non-enterprise special districts for general uses. These distributions will generally reflect the distribution of property tax in each county under existing law.

**Potential Savings:** \$ 486.1 million reduction to the In-Home Supportive Services Program which

includes an 8.4 percent reduction in service hours for all recipients, elimination of domestic and related services, and elimination of services for recipients without physician certifications. **DPSS estimates that this proposal could result in a County savings of approximately \$96.9 million of the total \$355.0 million County share of cost.**